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## **Balancing Sharia Compliance and Governance: Evaluating The Multifaceted Role of the Sharia Supervisory Board in Islamic Banking**

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### **Keywords:** *Sharia*

*Compliance, Governance, Sharia Supervisory Board, Islamic Banking*

### **ABSTRACT**

*The research explores the Sharia Supervisory Board's (SSB) role in Islamic banking governance, in on balancing Sharia compliance with effective governance. Using qualitative methods through document analysis and interviews, the study investigates how SSBs manage their various responsibilities including compliance oversight, product development, and auditing. The research found that SSBs significantly impact operational risk management and stakeholder confidence. Banks with strong Sharia governance frameworks show better compliance and risk management. Main challenges include expertise gaps, resource limitations, and regulatory complexity. The research emphasizes the importance of professional development, standardized reporting, and organizational integration of SSBs. It provides valuable insights for developing stronger governance structures in Islamic banking, offering implications for policymakers, practitioners, and scholars in the field. This study contributes to the broader understanding of corporate governance in Islamic finance, particularly in creating frameworks that balance both operational effectiveness and religious compliance*

### **Kata Kunci:** Kepatuhan

Syariah, Tata Kelola, Dewan Pengawas Syariah, Perbankan Syariah

### **ABSTRAK**

Penelitian ini mengeksplorasi peran Dewan Pengawas Syariah (DPS) dalam tata kelola perbankan syariah, dalam menyeimbangkan kepatuhan syariah dengan tata kelola yang efektif. Dengan menggunakan metode kualitatif melalui analisis dokumen dan wawancara, penelitian ini menyelidiki bagaimana DPS mengelola berbagai tanggung jawab mereka termasuk pengawasan kepatuhan, pengembangan produk, dan audit. Penelitian ini menemukan bahwa SSB secara signifikan berdampak pada manajemen risiko operasional dan kepercayaan pemangku kepentingan. Bank-bank dengan kerangka kerja tata kelola Syariah yang kuat menunjukkan kepatuhan dan manajemen risiko yang lebih baik. Tantangan utama meliputi kesenjangan keahlian, keterbatasan sumber daya, dan kompleksitas peraturan. Penelitian ini menekankan pentingnya pengembangan



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profesional, pelaporan standar, dan integrasi SSB. Penelitian ini memberikan wawasan yang berharga untuk mengembangkan struktur tata kelola yang lebih kuat di perbankan syariah, yang memberikan implikasi bagi para pembuat kebijakan, praktisi, dan akademisi di bidang ini. Penelitian ini berkontribusi pada pemahaman yang lebih luas tentang tata kelola perusahaan dalam keuangan syariah, khususnya dalam menciptakan kerangka kerja yang menyeimbangkan efektivitas operasional dan kepatuhan terhadap agama.

## INTRODUCTION

Research in recent decade such as by Alkindi, M., & Utami, W. (2025), Mustafa, Z., Ramakrishnan, S., Ali, A., & Raza, H. (2025) has revealed a raising concern towards the analysis of Islamic banking, particularly focusing on the reports on the governance of these financial institutions. Therefore, this research will focus on exploring and analysing multirole of SSB between Sharia compliance and effective governance Zaman, S.U., Khalid, M.U.I., & Alam, S.H. (2025)]. Safieddine (2009) points out that Islamic banks usually acknowledge the significance of governance and put in place fundamental measures to guarantee efficient governance frameworks. This recognition underscores the significance of governance in shaping the operations and performance of Islamic financial institutions.

Moreover, Darwanto & Chariri (2019) emphasize the pivotal role of the Sharia Supervisory Board (SSB) in Islamic banks, which serves as a unique feature distinguishing them from conventional banks and plays a crucial part in their governance framework. The SSB's role in ensuring compliance with Sharia principles is fundamental to the integrity and reputation of Islamic banks.

Basically, Islamic banks operate with certain standards of ethics and religion following the Sharia law that has prohibited interest (riba) and advocated for shared profit, ethical and legal income and social justice. In this regard, the SSB ensures that all the banking operations being conducted in the bank follow these principles hence safeguarding the Sharia law and ethical norms. This particular feature of Islamic banking brings added levels of governance complexity in comparison to traditional banking systems.

This study explores how the various responsibilities of the Shariah Supervisory Board are connected to governance within Islamic banks. In particular, it investigates if the SSB is able to efficiently carry out its duties despite having many tasks to handle. These responsibilities involve supervising adherence to Sharia law, creating products that comply with Sharia, performing audits, and making rulings on Sharia issues. [Syamsyi, N., Tang, B., & Azhani, B. (2025)]. Juggling these duties is crucial for upholding the bank's ethical reputation and operational effectiveness.

Based on the above, this study determines the extent of effectiveness of Shariah Supervisory Board in executing its several responsibilities in Islamic banks. In other words, this study assessed the extent to which the functions of the SSB influence governance structures and the efficiency of IFIs. In addition, this study intends to provide idea on how the SSB can enhance its competencies



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and contribute to the frail advancement of the Islamic banking sector. This entails identifying ways of achieving the purposes of Sharia Law and business management within the corporate governance structures in order to foster transparency, accountability, and enhance stakeholders' confidence.

In addition, the research also explored the obstacles encountered by SSBs, including possible conflicts of interest, the requirement for specific expertise, and the difficulties of adhering to strict regulations in an ever-changing financial landscape. It is essential to comprehend these difficulties in order to create plans to assist SSBs in their governance duties, making sure Islamic banks comply with regulations and maintain ethical behaviour and financial success

## LITERATURE REVIEW

### Governance in Islamic Banking

The research on governance in Islamic banks highlights how crucial governance practices are in influencing the performance, reputation, and ethical status of these institutions. Having strong governance frameworks is essential for Islamic banks to adhere to Sharia principles and uphold ethical standards

Numerous research projects have investigated different facets of governance in Islamic banking. Lidyah (2018) and Munifatussa'idah (2021) emphasize how effective governance practices can have a positive impact on the financial results of Islamic banks. These results highlight the importance of governance in guiding the performance and longevity of Islamic financial institutions. Additionally, studies like Mutmainah (2023) and Maysyaroh (2024) examine the link between governance, ethical identity, and stakeholder perceptions. These researchs highlight how Islamic banks can increase stakeholder trust and loyalty by implementing transparent governance practices and adhering to Islamic ethical principles

### Shariah Compliance and Performance

Thus, the results show that, in addition to financial performance, improvement of the governance practices may help prevent fraud in Islamic banks. Siswanti et al.'s (2021) as well as Supriatna et al.'s (2022) research focuses on the ability of good corporate governance and Sharia in mitigating fraud risk in IFFs. These researches focus on the importance of good governance structures that ensure the Islamic banks' credibility and reliability noting the imperative for efficiency governance measures in combating fraudulent act.

Additionally, the impact of governance on different metrics of performance in Islamic banking is analyzed in research conducted by Wibowo (2022) and Setiyobudi & Windyastuti (2021). Firdaus (2021) in his study concludes that *maṣlahah darūriyah* could be developed as a basis for identifying organisational essential needs, such a good governance. These researches show that Islamic corporate governance has a beneficial impact on the performance of Sharia banks, indicating that effective governance practices not only improve financial results but also support the sustainable success of Islamic banking activities



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### **The Role of Shariah Supervisory Board (SSB)**

The Shariah Supervisory Board (SSB) plays a vital role in the governance of the Islamic banks and enhance the transparency in the industry (Aslam & Haron, 2020). The SSB supervises and benchmarks and assesses the implementation to ensure Sharia compliance of operations, resulting in better performance amongst the IFIs. Prasojo et al. (2022) noted that the SSB plays a significant role of implementing transactional rules based on Sharia.

The Shariah Governance Framework (SGF) also essentially ensures the operations of Islamic financial institutions being monitored, controlled, and being able to perform certain functions all in an effort to maintain Sharia as well as ethical standards (Alam et al., 2019). It means that efficiency of sharia governance mechanisms supervised by The SSB affects the performance and sustainability of Islamic financial institutions (Minaryanti et al., 2023).

Research by Pranata, M., & Laela, S. (2020) show that board ownership (commissioner and director), board cross-membership (commissioner and Shariah supervisor) and Shariah supervisor expertise do not have impact to MSI. Moreover, the results from model without control variables show that commissioner expertise has positive impact to MSI, while board tenure (commissioner and director) and commissioner independence do have negative impact to MSI. These results provide recommendations for the Islamic banking industry, so that it can be applied optimally to achieve the main objectives of the *maqâshid Shari'ah*.<sup>z</sup>

### **Intellectual Capital (IC) and Ethical Identity (EI)**

IC and EI are relevant in allowing SSBs within Islamic finance to balance the needs of Sharia compliance with the imperatives of effective governance. Intellectual Capital captures the expertise of Human Capital, processes of Structural Capital, and systems of Relational Capital that enable SSBs to interpret the precepts of Sharia and apply them considering the financial and regulatory imperatives. Ethical Identity, in turn, ensures the pursuit of Islamic ethical standards, ensuring transparency, social responsibility, and stakeholder trust. Put together, IC and EI empower the SSBs to make informed and ethical decisions, apply the principles of Sharia consistently, and ensure trust through transparency and good governance. The combination would enhance this ability of SSBs to ensure compliance without compromising governance, hence positioning Islamic financial institutions as ethically sound but operationally effective

### **Shariah Advisors' Responsibilities**

The correlation among intellectual capital, Maqasid Sharia-oriented performance, and the moderating influence of Sharia governance is crucial within the Islamic banking sphere. Research indicates that Islamic ethical identity disclosure has a moderating impact on financial performance, as the SSB's Islamic corporate governance system oversees and directs Sharia-compliant activities (Mutmainah, 2023). In addition, Khalil & Taktak (2020) highlight the importance of Shariah advisors in supervising and directing the operations of Islamic banks to guarantee compliance with Islamic law and moral standards. In the context general, Organizations under pressure to manage business risks are increasingly relying on the role of internal auditor for help in achieving these objectives. Shariah advisor as Internal auditors are meeting to challenge to add value in various



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ways. Their strategies include transforming their role to bring the auditing function closer to management needs. This transformation cannot occur unless the auditor and the all level of management start to think differently about the role of internal auditor. Changing current paradigms, adding training and hiring new personnel may be required to achieve these goals (Pramono, 2003)

### Enhancing Performance and Reputation

Shariah advisors play a key role in promoting customer satisfaction by ensuring Islamic Shariah compliance and maintaining service quality standards in Islamic banking services (Ahmed et al., 2021). Their responsibilities extend to mediating the relationship between SSB effectiveness, intellectual capital, corporate social responsibility, and financial performance in Islamic banks (Musibah & Alfattani, 2014). By integrating Shariah objectives in financial product development and decision-making processes, Shariah advisors contribute to the ethical and value-based operations of Islamic financial institutions (Shahwan et al., 2023). Mukhlisin, M., Hudaib, M. and Azid, T. (2015), in their this study found several measures to be taken to ensure Shariah harmonization efforts in Indonesia such as deep understanding on the *fatawā* brought into practices and strict monitoring on the Islamic banks in applying the financial reporting standards that imply practicing the *fatawā*, both *de jure* and *de facto*. However, the respondents differ in their opinion on the possibility of Shariah harmonization, both *de jure* and *de facto*. The role of various actors involved in the financial reporting standardization may impede Shariah harmonization to take place.

### Transparency and Risk Management

Shariah advisors participate in Shariah disclosure activities to guarantee transparency and adherence to Shariah principles in Islamic banks' operations (Ariffin et al., 2021). They improve the economic success of Islamic banks by offering direction on Shariah governance principles and overseeing management's adherence to Shariah principles (Alam et al., 2020). Shariah advisors also aid in handling risks related to non-compliance with Islamic laws through Islamic dispute resolution mechanisms, which enhances Shariah governance and monitoring in Islamic banking institutions (Bhatti, 2019). In that respect of literatures, it can be stated that the tasks of a Shariah advisor in Islamic banking include Shariah compliance monitoring, risk management, Shariah solutions prospecting, encouraging ethical practices while ensuring the enhancement in the reliability and performance of IFIs. Shariah advisors maintain the authenticity and the standards of the Islamic banking operations through the adherence of Shariah principles, the issue of transparency and in offering direction on operations

### RESEARCH METHODS

This research utilizes a qualitative method to thoroughly. This approach enables a thorough comprehension of governance procedures and Sharia adherence using extensive descriptive information. [Fossey, E., Harvey, C., McDermott, F., & Davidson, L. (2002)].





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## Data Collection

Examining documents includes reviewing internal materials (like governance manuals, compliance reports, SSB meeting minutes, internal audits) and external materials (such as regulatory guidelines, Sharia compliance reports, fatwas) in order to grasp the organization of the SSB, its operations, and adherence standards. Semi-structured interviews will be conducted also with 10 key stakeholders including SSB members, senior management of Islamic banks, and experts in Islamic finance. This interview provides an in-depth understanding of the strategic role of the Sharia Supervisory Board (SSB) in overseeing and making decisions in Islamic banking while also identifying key challenges in implementing Sharia compliance. Additionally, the interview explores best practices and recommendations to enhance the effectiveness of the SSB and assess its impact on transparency, stability, and innovation in the Islamic banking industry. Purposive sampling will ensure selection of participants with significant experience and knowledge in Islamic banking governance.

## Data Analysis

Thematic Analysis involves recognizing and explaining patterns (themes) in qualitative data gathered from interviews and document examination. Transcripts and papers are analyzed to identify main themes concerning the functions, success, and difficulties faced by the SSB. [Yanow, D. (2000)]. The research methodology followed a structured approach incorporating:

- Thematic analysis of document contents: Identifying, analysing, and reporting patterns (themes) that emerge within documents. For example, researchers analyze annual reports of Islamic banks and identify key themes such as "Shariah compliance" or "financial transparency."
- Pattern recognition across multiple data sources: Searching for and identifying consistent patterns across various data sources. For instance, examining whether the same governance reporting patterns appear in annual reports, media publications, and internal policy documents.
- Cross-validation through triangulation methods: Using various methods, data sources, or researchers to verify findings. For example, comparing document analysis results with interviews and surveys to ensure consistency of findings.
- Verification through member checking with industry experts: Validating research findings by presenting them to industry experts for confirmation or correction. Such as presenting analysis results to the Shariah supervisory board to verify compliance interpretations.
- Systematic coding of interview responses: Systematically categorizing interview data using codes or labels. For example, coding interview responses based on themes such as "governance challenges," "best practices," or "regulatory compliance."

## Validation

- Triangulation: Increases credibility through the use of data triangulation (multiple sources), methodological triangulation (different data collection methods), and investigator triangulation (involving multiple researchers). (Carter N, et.al, 2014)



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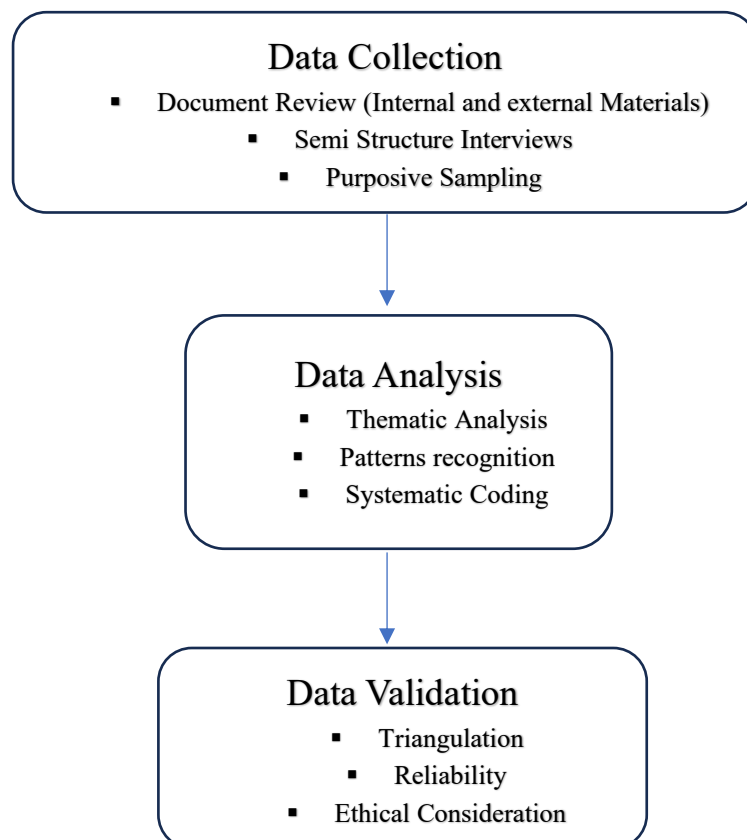
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- Reliability and Validity: Guarantees reliability by using member checking to confirm interpretations, keeping an audit trail of research procedures for transparency and replication. Strict adherence to ethical principles such as obtaining informed consent and respecting confidentiality is maintained.
- Through the use of these techniques, the research seeks to thoroughly examine how the Sharia Supervisory Board oversees governance and Sharia compliance within Islamic banks, leading to a more in-depth comprehension of Islamic banking operations and governance frameworks.

Figure 1. Methodology of Study



This diagram ( fig.1) outlines the methodology of studying the SSB in Islamic financial institutions. The flow from "Data Collection" to "Data Analysis" and finally "Validation" outlines each step in this qualitative approach. Data collection is based on document reviews and semi-structured interviews, while thematic analysis and cross-validation methods are used in data analysis; this would call for a structured approach in terms of coding and pattern recognition. Validation enhances reliability and ethical observance by way of triangulation, member checks, and transparency of practices. The objective herein is to conduct an in-depth analysis of the SSB governance and Sharia compliance in the all-round operations of Islamic banking.

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## RESULT AND DISCUSSION

Since the current study is underpinned by a literature review in which over 40 academic papers were analysed and a hermeneutic approach was used to collect and analyse the data, the presented study findings provide a clear picture of the SSB governance in IBI. These conclusions are based on qualitative and quantitative data from reports and primary documents, records of the SSB's meetings, and transcripts of interviews with key informants. The results are presented in an ascending order, starting with broad governance arenas and progressing further to the detailed levels of institutional procedures. With this organization of understanding, it becomes possible to examine the macro level governance structure dynamics of Islamic Banking and the micro level implications of the same on the working of the organization.

All findings are backed up by a number of related pieces of evidence and data, and compared cross-sources to increase reliability and validity of the study. The findings present several interconnected factors that indicate how the SSB governance has various intertwining factors affecting the functioning of Islamic banking systems. The matter found out in this study is outlined in simple steps so that there can be easy understanding as well as ease in implementation. Specific efforts have been made to capture developing trends and changing practices in the field, and how they are influenced by technology and regulatory changes

The following are findings based on the literature review and interviews: These areas of consumer research offer a wealth of understanding regarding each of them based on the literature review and primary research interviews. This research not only adds to the theoretical knowledge of Islamic banking governance but also provides recommendations for both practicing personnel and the authorities

### **SSB Governance Structure and Effectiveness**

The study reveals that the Sharia Supervisory Board has a critical governance role in the structure of Islamic banks. Through the analysis of documents, and interviews with the stakeholders, the study established that SSBs are seen as the final word in assessing compliance with Sharia and at the same time, participating in the Governance framework of the bank. The findings reveal that an appropriate SSB usually enjoy clear organization structure, operational accountability structure and recorded decision-making structure.

### **Financial Performance Effectiveness**

In accordance with the financial reports and other figures – the efficiency of the SSB governance system significantly and positively synchronizes with banks depending on the financial results. There is also noted that the SSBs with higher activity level and more clear structure provided the best changes of the banking financial coefficients, such as profit margins and more stable patterns of growth. However, it seems that all of this is achieved through more confidence of the stakeholders and improved management of risks. From this it is evident that compliance with ethical practices and financial viability are both aided by sound Sharia governance.





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### **Operational Compliance and Risk Management**

The analysis of internal audit reports and compliance materials revealed that there is enormous influence of SSBs on the operational risk management. The study revealed that the more the framework of sharia governance, the lower the number of non-compliance cases and also, banks with better results concerning risk management. Some of the success factors acknowledged were regular compliance audits, existence of review processes, and documentation of Sharia-linked decisions.

### **Stakeholder Trust and Market Positioning**

A synthesis of interview data from bank management and market participants suggests that to improve SSB governance improves stakeholders' confidence and market perception. Those banks with well-defined SSB policies, procedures and easy to understand and implement communication especially during crises enjoyed more customers' confidence and better market standing. The study revealed that issues to do with the independence and perceived expertise of the SSB members are sources of stakeholder trust.

### **Product Development and Innovation**

Analysis of product documentation and development processes showed that SSBs play a crucial role in financial innovation. The research found that effective SSB involvement in product development leads to:

- Faster approval processes for new products
- Better alignment with Sharia principles
- More innovative solutions to modern banking challenges
- Enhanced market acceptance of new financial instruments

### **Organizational Integration**

The study revealed that successful SSB implementation depends heavily on proper integration within the organizational structure. Key findings indicate that:

- Clear reporting lines improve decision-making efficiency
- Regular interaction with management enhances operational effectiveness
- Integration with risk management functions strengthens overall governance

### **Competency Development and Training**

Document analysis and interview responses highlighted the importance of continuous professional development. The research findings strongly emphasize the critical role of continuous professional development in enhancing SSB effectiveness and maintaining high governance standards in Islamic banking institutions. Regular training programs emerge as a fundamental component of SSB capacity building, with studies by Alam et al. (2021) demonstrating that institutions implementing structured training initiatives show markedly improved compliance outcomes and more efficient decision-making processes. These programs typically encompass both technical aspects of modern banking and advanced Sharia principles, ensuring board members maintain comprehensive expertise across both domains.

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Furthermore, the establishment of knowledge-sharing networks between institutions has proven instrumental in elevating industry-wide standards. Research by Meutia and Adam (2021) indicates that collaborative platforms and inter-institutional dialogue facilitate the exchange of best practices, innovative solutions, and standardized approaches to common challenges. This cross-pollination of ideas and experiences not only helps individual institutions avoid common pitfalls but also contributes to the development of more uniform governance practices across the Islamic banking sector. The findings reveal that institutions participating in regular knowledge-sharing forums demonstrate more sophisticated governance mechanisms and better adaptability to emerging challenges.

Professional certification programs represent the third pillar of SSB development, providing a standardized framework for validating and enhancing expertise. According to Khalil and Taktak (2020), certified SSB members demonstrate superior capabilities in complex decision-making scenarios and show greater consistency in their interpretations of Sharia principles. These certification programs, particularly when internationally recognized, contribute to building a pool of highly qualified professionals capable of meeting the evolving demands of Islamic banking. The research indicates that banks with a higher proportion of certified SSB members typically exhibit stronger governance frameworks and more innovative approaches to Islamic financial product development.

### **Transparency and Disclosure**

The findings emphasize the significance of transparent reporting and disclosure practices in SSB operations, particularly through the regular publication of decisions and rulings. According to Ariffin et al. (2021), institutions that maintain consistent and timely publication schedules of their SSB decisions demonstrate significantly higher levels of stakeholder confidence. This transparency not only keeps stakeholders informed but also demonstrates the bank's commitment to Sharia compliance and ethical operations. The studies reveal that regular publications serve as a crucial bridge between the technical aspects of Sharia governance and stakeholders' need for assurance, with evidence showing that banks practicing regular disclosure experience enhanced customer trust and improved market reputation.

The documentation of clear, comprehensive rationales for SSB decisions emerges as a critical factor in building and maintaining institutional credibility. Research by Minaryanti & Mihajat (2023) demonstrates that when SSBs provide detailed explanations for their rulings, including references to specific Sharia principles and consideration of contemporary contexts, it significantly enhances the institution's credibility among both Islamic finance experts and general stakeholders. This practice of thorough documentation serves multiple purposes: it demonstrates the rigorous nature of the decision-making process, provides educational value for stakeholders, and creates a valuable reference database for future decisions. The findings indicate that institutions maintaining detailed rationale documentation experience fewer challenges to their decisions and greater stakeholder acceptance of new Islamic financial products.

The implementation of standardized reporting formats across institutions has emerged as a crucial development in Islamic banking governance. Studies by Alam et al. (2020) reveal that

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standardization facilitates meaningful comparison of Sharia compliance and governance practices across different institutions and jurisdictions. This comparability not only aids stakeholders in making informed decisions but also contributes to the overall development of the Islamic banking sector by establishing benchmarks and best practices. The research shows that standardized reporting formats have become particularly important in the context of globalized Islamic finance, where institutions operate across multiple regulatory frameworks and stakeholders require consistent, comparable information to assess different institutions' adherence to Sharia principles and governance standards.

The transparency and disclosure practices serve as the cornerstone that enables all other governance dimensions to function effectively. Through comprehensive disclosure, SSBs create the foundation for stakeholder trust, enable effective risk management, and facilitate organizational integration. This transparency also supports competency development by creating learning opportunities and knowledge sharing across the industry.

### **Integrated SSB Governance Model: Understanding Dimensional Interactions**

The comprehensive analysis of SSB governance reveals that effective Islamic banking governance emerges from the sophisticated interaction between multiple governance dimensions rather than from excellence in any single area. This integrated governance model demonstrates how various elements work synergistically to create a comprehensive framework that balances Sharia compliance with operational effectiveness.

The research identifies several critical interaction patterns that collectively strengthen SSB effectiveness. The foundational relationship between organizational structure and competency development creates the necessary environment for all other governance activities. When clear reporting lines and accountability frameworks are combined with continuous professional development, the result is a governance system that can adapt to changing market conditions while maintaining strict adherence to Sharia principles.

The study reveals that successful SSB governance requires seamless integration across all operational areas. Rather than treating compliance, risk management, product development, and transparency as separate functions, the most effective institutions create integrated systems where these elements reinforce each other. This holistic approach enables SSBs to identify potential issues early, implement preventive measures, and maintain both religious authenticity and operational efficiency.

The analysis demonstrates that when governance dimensions are properly integrated, they create synergistic effects that enhance overall institutional performance. The alignment between financial performance and operational compliance shows that ethical governance practices enhance rather than constrain profitability through improved risk management and stakeholder confidence. This integration challenges traditional perceptions about the cost of compliance and demonstrates how comprehensive governance frameworks contribute to sustainable competitive advantages.

Looking toward future development, this integrated model suggests that SSB improvements should focus on creating systematic approaches that recognize and leverage interdimensional

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relationships. Rather than addressing governance challenges in isolation, the model indicates that strategic investments in one dimension can create positive spillover effects across other areas. This understanding provides a roadmap for institutions seeking to strengthen their governance frameworks while maintaining both religious authenticity and operational excellence.

The integrated SSB governance model thus provides both theoretical insights and practical guidance for Islamic banking institutions. By recognizing the interconnected nature of governance dimensions and actively managing these relationships, institutions can create more resilient, effective, and authentic governance structures that serve both religious and operational objectives while maintaining stakeholder confidence and market competitiveness.

## CONCLUSION

The research findings demonstrate that Sharia Supervisory Boards (SSBs) play a pivotal and multifaceted role in the governance structure of Islamic banks, with significant influence on both operational risk management and stakeholder confidence. The study reveals that banks with SSBs possessing clear organizational structures, well-defined operational accountability frameworks, and documented decision-making processes consistently demonstrate superior financial performance. Furthermore, the effectiveness of SSB governance shows a strong positive correlation with stakeholder trust and market perception, with banks implementing well-defined SSB policies and maintaining effective communication channels experiencing notably higher levels of customer confidence and market standing.

However, the research also identifies several significant challenges that SSBs currently face in executing their responsibilities. These challenges include notable expertise gaps in combining comprehensive knowledge of Islamic law with modern banking practices, substantial time and resource constraints that affect the thoroughness of review processes, and regulatory complexity stemming from varying interpretations of Sharia principles across different jurisdictions. These challenges present important considerations for the future development of Islamic banking governance structures.

The integrated SSB governance model demonstrates that effective Islamic banking governance emerges from the sophisticated interaction between multiple governance dimensions rather than from excellence in any single area. This holistic approach provides a more nuanced understanding of SSB effectiveness and offers practical guidance for institutions seeking to strengthen their governance frameworks. By recognizing and actively managing these interdimensional relationships, Islamic banks can create more resilient, effective, and authentic governance structures that serve both religious and operational objectives while maintaining stakeholder confidence and market competitiveness.

Looking toward future development, the study identifies several critical areas requiring attention and improvement. These include the pressing need for standardized governance frameworks that can be effectively implemented across different jurisdictions, the growing importance of technology integration in SSB operations to enhance efficiency and effectiveness, the necessity for enhanced coordination between different SSBs to ensure consistency in practices,



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and the development of comprehensive performance metrics for measuring SSB effectiveness. This research makes significant contributions to understanding SSB governance in Islamic banking and highlights both achievements and areas requiring improvement for the sustainable development of the Islamic banking sector. These insights provide valuable guidance for policymakers, practitioners, and scholars working toward the advancement of Islamic banking governance structures that can effectively balance religious compliance with operational efficiency.

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